

FDIC State Profile

Spring 2004

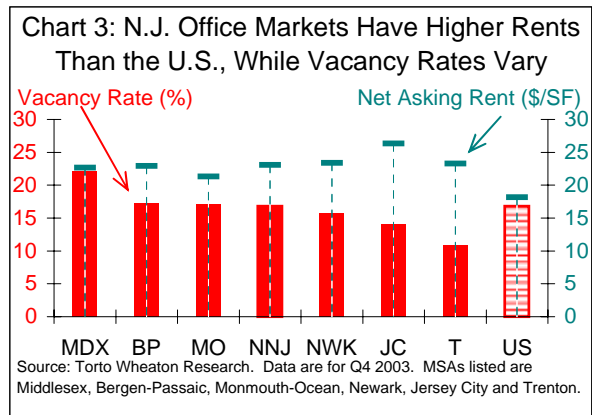
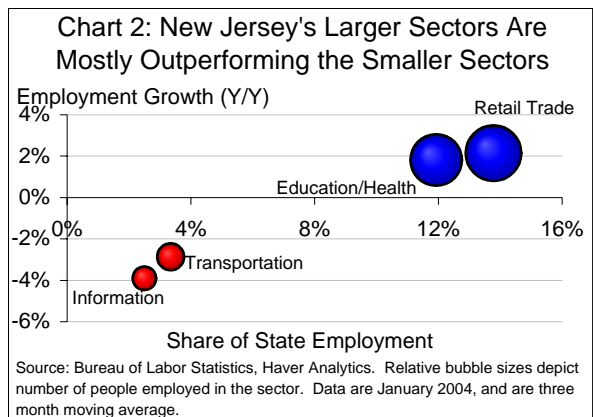
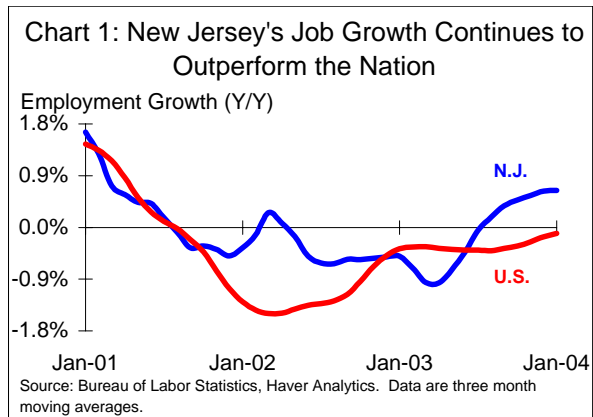
New Jersey

The New Jersey economy is growing, and jobs are being added in most of the state's metropolitan areas through January 2004.

- Employment performance in New Jersey has exceeded the nation since second half 2003, and continues to gather strength (See Chart 1).
- Employment growth rates in Bergen-Passaic (B-P), Jersey City, Middlesex and Newark areas were below the state average in January 2004. Losses in the manufacturing, trade, and transportation industries hindered the B-P and Newark job markets; Jersey City's growth was slowed by job losses in financial services. Middlesex' growth was stunted by continued losses in the professional and business services sector.

Weakness remains in the state's information and manufacturing industries.

- Job growth continued in many of the state's larger industry sectors, while, with few exceptions, job losses are contained mostly in the state's smaller sectors (See Chart 2). Education and health services, retail trade, government and professional and business services, the larger job sectors, have grown. Manufacturing, information and transportation, which account for less of the job base, are among those sectors still losing jobs.
- The rate of home price appreciation across New Jersey's MSAs accelerated in fourth quarter 2003 from third quarter 2003. Home prices in all eight metropolitan areas outpaced the national rate of growth of 7.98 percent. Atlantic-Cape May, Monmouth-Ocean and Jersey City led the way with appreciation in excess of 14 percent. In addition to the state's net inward migration, some of the appreciation may be attributed to structural rigidities like zoning restrictions and lack of space for new building.
- Asking rents in the Northern New Jersey (NNJ) office market remained high relative to the nation in fourth quarter 2003, though vacancy rates were widely mixed (See Chart 3). The Middlesex MSA vacancy rate remains stubbornly high, as much of the area's telecom space remains empty.



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The net interest margin (NIM) reported by the state's insured institutions declined throughout much of 2003, although some relief came toward year end.

- After declining since mid-2002, the NIM slightly increased in the fourth quarter 2003 as asset yields increased while funding costs continued to decline (See Chart 4). The fourth quarter increase in asset yield was the first increase in approximately three years. The median cost of funds dropped for a twelfth consecutive quarter in the fourth quarter, as funding costs responded to a decline in short-term interest rates on a lagged basis.

Higher concentrations of long-term assets heighten the importance of proper interest rate risk management.

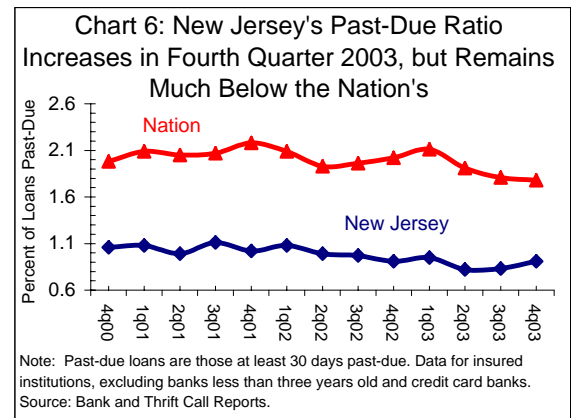
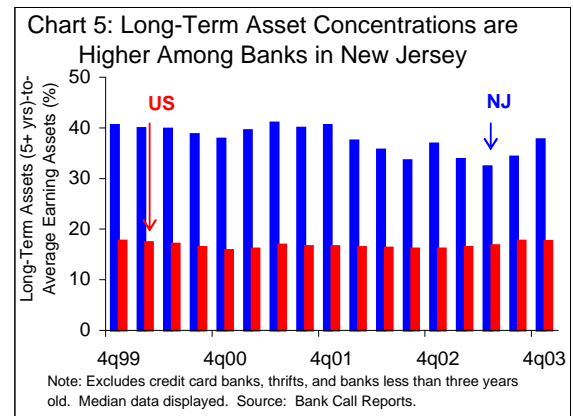
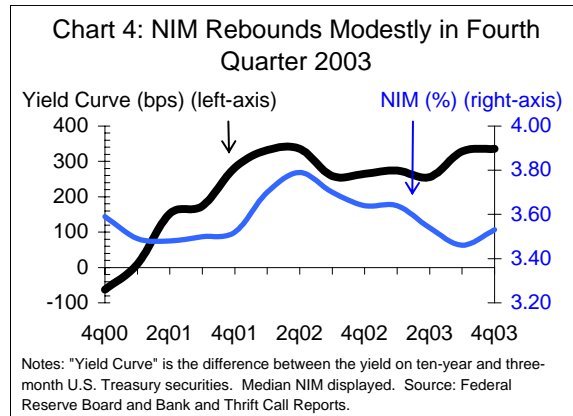
- The state has a high ratio of long-term assets-to-average earning assets relative to the nation, largely the result of the state's high concentration of residential mortgage lenders (40 percent of the state's insured institutions specialize in mortgage lending) and the popularity of long-term mortgage products in metropolitan areas of the Northeast (See Chart 5).¹
- Insured institutions with high concentrations of long-term assets may face margin compression, asset depreciation, and extension in asset duration should interest rates rise, thereby heightening the importance of proper interest rate risk management practices.

Insured institutions headquartered in New Jersey continue to report favorable asset quality.

- The fourth quarter 2003 median past-due loan ratio is lower than a year ago, although it is slightly higher than the previous quarter. Except for residential loans, which increased moderately in fourth quarter, past-due loan rates were lower across loan categories. The state's median past-due ratio is less than half the national rate, reflecting the state's favorable economic performance (See Chart 6).

Exposure to commercial real estate loans has increased.

- The median ratio of CRE loans-to-capital has increased in recent years and at 173 percent is slightly higher than the national ratio of 163 percent.
- Industry consolidation has resulted in a change of market share leaders in New Jersey from regional banks to super-regional and money center banks. In 1998, three of the top five banks in terms of deposit market share were headquartered in the state, holding 26 percent of New Jersey's deposits. In 2003, only two of the top five banks are local, holding 11 percent of deposits.



¹"Residential lenders" are defined as insured institutions that hold at least 50 percent of assets in 1-4 family mortgage loans and mortgage backed securities.

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New Jersey at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	146	150	151	152	147
Total Assets (in thousands)	152,170,845	137,562,678	121,325,367	143,130,812	149,820,895
New Institutions (# < 3 years)	6	17	25	27	23
New Institutions (# < 9 years)	42	44	42	39	30
Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	8.89	8.99	9.98	9.98	9.47
Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	0.85%	0.84%	0.96%	0.91%	1.01%
Past-Due and Nonaccrual >= 5%	4	5	6	6	11
ALLL/Total Loans (median %)	1.03%	1.01%	0.99%	0.95%	0.92%
ALLL/Noncurrent Loans (median multiple)	2.58	2.63	2.12	2.04	1.69
Net Loan Losses/Loans (aggregate)	0.17%	0.22%	0.24%	0.23%	0.36%
Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	12	19	23	26	22
Percent Unprofitable	8.22%	12.67%	15.23%	17.11%	14.97%
Return on Assets (median %)	0.79	0.83	0.67	0.74	0.77
25th Percentile	0.52	0.49	0.26	0.32	0.46
Net Interest Margin (median %)	3.55%	3.72%	3.52%	3.64%	3.59%
Yield on Earning Assets (median)	5.19%	6.05%	6.91%	7.38%	7.04%
Cost of Funding Earning Assets (median)	1.63%	2.28%	3.41%	3.69%	3.38%
Provisions to Avg. Assets (median)	0.07%	0.10%	0.09%	0.07%	0.09%
Noninterest Income to Avg. Assets (median)	0.39%	0.36%	0.40%	0.37%	0.37%
Overhead to Avg. Assets (median)	2.63%	2.72%	2.83%	2.74%	2.74%
Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	69.55%	65.86%	70.07%	71.75%	68.69%
Loans to Assets (median %)	57.52%	55.50%	59.07%	58.87%	57.57%
Brokered Deposits (# of Institutions)	21	18	15	9	12
Bro. Deps./Assets (median for above inst.)	2.67%	4.87%	9.23%	14.56%	1.05%
Noncore Funding to Assets (median)	16.14%	14.65%	14.93%	13.82%	13.32%
Core Funding to Assets (median)	72.61%	73.84%	73.35%	71.97%	74.02%
Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	51	53	52	50	46
National	22	23	23	26	24
State Member	6	6	5	5	5
S&L	10	11	11	11	15
Savings Bank	31	31	34	33	31
Stock and Mutual SB	26	26	26	27	26
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Newark NJ PMSA	31	15,234,489	21.23%	10.01%	
Bergen-Passaic NJ PMSA	26	51,354,511	17.81%	33.75%	
Philadelphia PA-NJ PMSA	22	18,943,792	15.07%	12.45%	
Middlesex-Somerset-Hunterdon NJ PMSA	20	27,802,034	13.70%	18.27%	
Jersey City NJ PMSA	12	20,056,322	8.22%	13.18%	
Monmouth-Ocean NJ PMSA	11	6,687,806	7.53%	4.39%	
Trenton NJ PMSA	10	5,867,648	6.85%	3.86%	
Atlantic-Cape May NJ PMSA	9	2,479,319	6.16%	1.63%	
Vineland-Millville-Bridgeton NJ PMSA	5	3,744,924	3.42%	2.46%	